

2007 VERMONT CORPORATE INCOME TAX RETURN INSTRUCTIONS

Form Summary List: (Check our website at <http://www.state.vt.us/tax> for the latest revisions.)

Form S-1 Registration and Vermont Business Account Number Application (VBA#) For use by all taxable entities registering for a Vermont Business Account Number (VBA#).

**** RETURNS AND PAYMENTS CANNOT BE PROCESSED WITHOUT THE ASSIGNED VBA# ****

VT Form BA-402 Apportionment & Allocation Schedule For use by all taxable entities having activity (losses or income) in Vermont and at least one other state/province. **The sales factor was double-weighted in the apportionment formula beginning with the 2006 returns. Corporations conducting a unitary business with other affiliated corporations will be required to compute their income using unitary combined reporting in taxable years beginning on or after January 1, 2006.**

VT Form BA-403 Application for Extension of Time to File Vermont Corporate/Business Income Tax Return For use by all taxable entities requesting more time to file their Vermont Corporate or Business Income Tax Return. For unitary-combined filers, this is submitted by the principal Vermont corporation as defined by VT Reg. §1.5862(d)-10 and must include Vermont Form BA-410.

VT Form BA-404 Tax Credits Earned, Applied, Expired, and Carried Forward Required by

those entities awarded Economic Advancement Tax Incentive (EATI) Credits or claiming credit incentives for New Jobs; Charitable Housing; Rehabilitation of Certified Historic Buildings; Older or Historic Buildings Rehabilitation; Affordable Housing; Platform Lifts, Elevators, Sprinkler Systems; Code Improvements to Commercial Buildings; and Qualified Sale of Mobile Home Park. This form is required of each separate entity including those filing in a combined group return.

VT Form BA-405 Expired EATI Credit: Annual Activity Report Required by those entities awarded Economic Advancement Tax Incentives (EATI) credits, for use for each of the six years following the end of the EATI authorization period. This form is required of each separate entity including those filing in a combined group return.

VT Schedule BA-410 Affiliation Schedule For use by those entities which are members of an affiliated group desiring to file Vermont income tax returns on a consolidated/affiliated basis as permitted by the Internal Revenue Code and those members of an affiliated group required by VT Reg. §1.5862(d) to file a unitary-combined group return.

VT Form CO-411 Corporate Income Tax Return Required by those entities filing federally as a C Corporation to report Vermont income tax

liability. This form has been revised to accommodate single entities, consolidated filers, and the group return for unitary-combined filers.

VT Form CO-414 2008 Corporate Estimated Tax Payment Voucher Required by C Corporations to pay estimated taxes for 2008. **This form has been revised for the principal Vermont corporation as defined by VT Reg. §1.5862(d)-10.**

VT Form CO-419 Apportionment of Foreign Dividends (For Unitary-Combined Filers Only) Required by unitary-combined filers to determine the amount of apportioned foreign dividends taxable to the State of Vermont.

VT Form CO-420 Foreign Dividend Factor Increments (For Unitary-Combined Filers Only) Required by unitary-combined filers to determine the incremental factors of Foreign Dividends to Sales and Receipts, Salaries and Wages, and Property.

Regulation §1.5833-1 Allocation and Apportionment of Income

Regulation §1.5862(d) Unitary-Combined Reporting (For Unitary-Combined Filers Only)

NEW

VT Technical Bulletin 35 (TB-35) Net operating losses

NEW

VT Technical Bulletin 36 (TB-36) Intercompany transactions in unitary group returns.

Filing Requirements

C Corporations must file **VT Form CO-411, Vermont Corporate Income Tax Return**, if they were incorporated under the laws of the State of Vermont, possessed a certificate of authority to do business in Vermont, or received income allocable or apportioned to Vermont including income received as a partner. Corporations possessing a certificate of authority or having an assigned Vermont Business Account Number for income tax, but not otherwise doing business in the state, are not required to pay the minimum tax, but must file **VT Form CO-411, completed through Line 11.**

Unitary Combined Reporting is required for taxable years beginning on or after January 1, 2006 for members of an affiliated group of two or more corporations engaged in unitary business with one or more members of that group. A "group return" is filed by the "Principal Vermont Corporation" that is the parent corporation unless the parent corporation is not subject to tax in Vermont, or is not part of the unitary business or there is no parent, in which case it means the corporation that: (1) is included within the group; (2) is subject to Vermont's taxing jurisdiction; and (3) has the greatest Vermont business activity during

the first year that a combined return is required to be filed, as measured by the total of the Vermont factors, payroll, sales and property for that year.

The group return refers to a schedule that shows the individual liability of each affiliated group member. The group return shall include the following information: (1) the Principal Vermont Corporation; (2) all members of the affiliated group; (3) all members of the affiliated group with Vermont nexus; (4) any change in the status or composition of the group since the previous taxable period; (5) whether, in any other state requiring or allowing a combined report, any member of the Vermont affiliated group was: (i) included in a combined report filed in the same tax year or (ii) excluded from a combined report that included other members of the Vermont group; (6) whether any member of the affiliated group filed a separate Vermont return or was included in another group in Vermont in a prior year; (7) with respect to members that have separate attributes (see Reg. §1.5862(d)-9), the allocation of the combined income of such member. The group return shall report all income required to be included in the Vermont net income of such corporations pursuant to Reg. §1.5862(d)-3.

Subchapter S Corporations, Partnerships, and Limited Liability Companies (LLC's), electing not to be taxed as a corporation, file VT Form BI-471, Vermont Business Income Tax Return. See separate instructions for this form.

Filing Dates and Payments

Returns must be filed by the 15th day of the third month following the corporation's year-end or the extended due date. The Vermont extended due date is thirty days beyond the extended Federal due date. Corporations needing only a Vermont extension may file **VT Form BA-403, Application for Extension of Time to File Vermont Corporate/Business Income Tax Return.** ****This form requires that you indicate which Federal Income Tax Form will be filed.**** A copy of Federal Form 7004, **Application for Automatic Extension of Time to File Corporation Income Tax Return**, may be used in place of Form BA-403 if it clearly states the fiscal year ending and the entity's Vermont Business Account Number. For combined and consolidated reporting, the Principal Vermont Corporation, with a copy of VT Form BA-410, is required to submit this extension request. The taxable year of an affiliated group is determined as follows: (1) if two or more members of a group file a federal

consolidated return, the group's taxable year is the taxable year of the federal consolidated group; (2) in all other cases, the taxable year is the taxable year of the principal Vermont corporation. (Also see Reg. §1.5862(d)-7(g)).

An extension of time to file is not an extension of time to pay. Tax is due on the original filing date. Any tax due and not paid by the original due date will be assessed interest and penalty.

Group Return

The Group Return consists of the following:

- Form CO-411 - VT Corporate Income Tax Return
- Form BA-410 - Affiliation Schedule and attachments
- Form BA-402 - Apportionment and Allocation Schedule

The Group Return may include, as applicable:

- Form CO-419 - Apportionment of Foreign Dividends
- Form CO-420 - Foreign Dividend Factor Increments

Work papers and consolidating schedules will be required for all forms to show the contribution of each member of the group to the totals. These may be submitted in MS Excel and .pdf format.

Unitary Group

The **Unitary Group** is composed of affiliated businesses where there is an interdependence of function, or if unity of ownership, operation, and use exist. Unity of ownership is satisfied if the Fifty Percent Test, explained in Reg. §1.5862(d)-4(c) is met. Interdependence of function, unity of use, and unity of operations are explained in Reg. §1.5862(d)-6. Determinations are made based on the facts and circumstances of each case and will favor consistency with legal and factual determinations of other unitary states.

Pass-through entities, Partnerships, Subchapter S Corporations, and Limited Liability Companies, taxed federally as partnerships, are not members of the unitary group, but a pro-rata share of income and sales, payroll, and property is assigned to the group member that holds an ownership interest in such an entity.

Vermont has adopted a "water's edge" group, as opposed to a "worldwide combined" group. Overseas Business Organizations, defined in Reg. §1.5862(d)-5 are excluded.

Estimating Taxes

The Vermont corporate tax is applied to the separate income of each taxable member of a group. Payment of tax is due on the original due date of the return. Any corporation, including the Principal Vermont Corporation of a group filing, anticipating a Vermont tax liability over \$500 must make estimated payments on the 15th day of the 4th, 6th, 9th, and 12th months of the taxable year.

Interest, Late Fees, and Penalties

Interest is charged on payments not made by the statutory due date. The rate of interest is established each year with reference to the average prime rate. Returns not filed by the due date are subject to a failure to file penalty of 1% per month of the outstanding liability up to 25%. If the filing is over 60 days late from the original due date, a \$50 penalty applies even if no tax is due unless timely filed under extension. The failure to pay an income tax liability when due will result in imposition of a penalty equal to 1% per month of the outstanding liability. Estimated payments not made when due are subject to a late payment penalty of 1% for each month that the payment is late, up to a maximum of 25%. The Commissioner of Taxes may abate penalty for reasonable cause.

Consolidated Returns

Affiliated corporations that file federal tax on a consolidated basis may elect to file a single consolidated Vermont return. A corporation that is required to be included in a group return may be included in a consolidated return elected under 32 V.S.A. §5832 provided that the consolidated members have the same fiscal year. See above for a discussion of the taxable year of an affiliated group. Therefore, the Vermont consolidated group may not contain all the corporations in the Federal group. The election is made by filing **VT Schedule BA-410, Affiliation Schedule**, with **VT Form CO-411**. Once the election to file on a consolidated basis is made, an affiliated group must continue to file consolidated and file **VT Schedule BA-410** each year with the corporate tax return until the Commissioner of Taxes authorizes separate filing. The Vermont Affiliation Schedule, **VT Schedule BA-410**, is used by both Corporate and Business Income Tax filers.

Changes in Return Information

An amended Vermont income tax return must be filed whenever the taxpayer's federal tax return is amended or corrected, or whenever the information on the Vermont return, as previously filed, is incorrect. An amended return cannot be filed until the original income tax return has been filed. An amended Vermont return is due within 60 days after you become aware of any changes. This requirement may be the result of any information that makes your return materially false, inaccurate, or incomplete; you are notified by the Internal Revenue Service that your federal taxable income has been adjusted; or, you file an amended return with the Internal Revenue Service. If an amended return is not filed with Vermont within the prescribed time, late filing fees may be assessed and penalty may be assessed on any additional tax. Include a copy of the IRS report if the change is a result of a Federal audit.

Amending Returns

File an amended return by making corrections to a copy of the return for the affected tax year. If that return required schedules for explanation, attach those same schedules, as amended, to clarify the change. Amended returns claiming a refund must be filed within **three years** from the date a return is required to be filed or **six months** after a refund was received from the United States with respect to a change in the amount of taxable income reported in a return filed under the laws of the United States.

Net Operating Losses

For taxable years beginning before January 1, 2007, amendments for net operating loss (NOL) carry back and carry forward are permitted as allowed under the Internal Revenue Code, **except NOL carry back refunds/credits are not available for Vermont** for tax loss years beginning on or after January 1, 1995. **NOLs are deducted on Federal Form 1120, Line 29a.** When the deduction is taken on Line 29a of a pro-forma federal return, provide an explanation and schedule of how it was calculated. **Vermont does not allow the special bonus depreciation provision of the Federal Jobs Creation and Worker Assistant Act of 2002 or the Federal Jobs and Growth Tax Relief Reconciliation Act of 2003 {IRC 168(k)}.** **If taken in the current or in prior years, the Federal taxable income must be recomputed without the 30% or 50% special "bonus" depreciation. Provide a pro-forma Federal Form 1120 and a detailed schedule/spreadsheet for the recomputed Federal taxable income amount for VT Form CO-411, Line 1. Check the box under Line 1.** This calculation is required as a separate attribute for each affiliate in a unitary group. For net operating losses for taxable years beginning on or after January 1, 2007, a new **net operating loss (NOL) rule** that is specific to Vermont has been adopted. "Vermont net operating loss" (VNOL) means any negative income after allocation and apportionment of Vermont net income under 32 V.S.A. §5833. Prior law piggy-backed to the federal net operating losses, but allowed no refund for the portion that was carried back on the federal return (and therefore on the Vermont return) as stated above. The new rule, when fully implemented in 2010, will allow corporate taxpayers to carry forward Vermont losses for 10 years regardless of whether the federal loss is carried back. During the transition period, corporate taxpayers will be able to carry forward the Vermont NOL if the federal NOL is carried forward. Additionally, for 2007 losses, 10 percent of the Vermont NOL will be available for carryforward when the federal NOL is carried back. This percentage increases to 30 percent for 2008 and 40 percent for 2009. For specific guidance to calculate this VNOL, refer to Vermont Technical Bulletin (TB-35) issued March 13, 2007.

Substitute Forms

Any facsimile or substitute form must be approved by the Department of Taxes prior to use. If you use computer generated returns, the software company is responsible for requesting approval and receiving an assigned bar code. **A \$25 fee may be assessed for a taxpayer or preparer who files returns that cannot be processed or require special steps to process.** Call (802) 828-2512

for further information on facsimile or substitute forms.

Contacting the Department

Appeals:

Vermont Department of Taxes
PO Box 1645
Montpelier, VT 05601-1645

Mailing address:

Vermont Department of Taxes
133 State Street
Montpelier, VT 05633-1401

Taxpayer Services: (802) 828-5723
Email Address: tax-corporincome@state.vt.us
Web site Address: <http://www.state.vt.us/tax>
Facsimile: (802) 828-5787
Forms: (802) 828-2515

VT FORM CO-411 2007 C CORPORATE INCOME TAX RETURN INSTRUCTIONS

Please use blue or black ink. If requesting a refund, enter the amount below Line 11 in the boxes provided. Header information in the name and address area and Boxes A through E are required for the single, separate filing corporation, the parent corporation for a consolidated filing, or the Principal Vermont Corporation for a unitary group filing. Separately calculated attributes of affiliates may be provided by spreadsheet in MS EXCEL and .pdf format and provided on 3.5 diskette or CD. Provide a documentary copy of the Federal and Vermont summary consolidated or group return.

Name/Address Print or type the **Corporate name and address** in the space provided.

Box A Check all applicable boxes for the characteristic(s) of the return.

Box B Vermont Business Account Number (VBA#) - Enter your six digit account number and the first two letters of your corporate name. This is not the 14-digit account number issued for Employee Withholding tax, Sales & Use tax, or Meals & Rooms tax. ****CONTACT THE DEPARTMENT OF TAXES IF YOU ARE NOT SURE.**** Enter the corporate **fiscal/calendar year ending (FYE)**. Entries are required using a 4-digit year and 2-digit month, i.e. "200712". Enter the entity's **Federal Identification Number**.

**** RETURNS AND PAYMENTS CANNOT BE PROCESSED WITHOUT THE ASSIGNED VBA#. ****

Box C Check the box indicating if this is a unitary group return and indicate the FID # of the Principal Vermont Corporation.

Box D Enter the Business Code Number used on the federal single, consolidated, or group return.

Box E Check "Yes" or "No". *If you check "Yes", the Department of Taxes WILL NOT mail you any Income tax forms for next year.*

For Negative Values Place an "X" in the pink box to the left of the line number containing the negative value.

Line 1 Federal (or Recomputed Federal) Taxable Income *For a single corporate filing*, enter the amount from Federal Form 1120, Line 28 (taxable income), less Line 29a (net operating loss deduction) and Line 29b (special deductions). Disregard the Vermont NOL (net operating loss) summary, Line 9, below.

For unitary group returns or consolidated returns, begin with Federal Form 1120, Line 28 for each affiliate and calculate separate attributes on VT Form CO-411 through Line 13. Provide a combined summary Vermont Form CO-411 group or consolidated return through Line 17. Also pro-

vide a pro-forma Federal Form 1120 if the corporations are filing a Vermont return that is different from the federal return and enter the amount here that results on Line 28, less 29b but not Line 29a, of the recomputed pro-forma Federal Form 1120. Attach copies of Federal Forms 1120 and supporting schedules to this return. **Vermont does not allow the special bonus depreciation provision of the Federal Jobs Creation and Worker Assistant Act of 2002 or the Federal Jobs and Growth Tax Relief Reconciliation Act of 2003 {IRC 168(K)}.** If taken in the current or in prior years, the federal taxable income must be recomputed without the 30% or 50% special bonus depreciation. Provide a *pro-forma* Federal Form 1120 or a detailed schedule/spreadsheet for the recomputed federal taxable income amount for VT Form CO-411, Line 1. Check the box under Line 1.

Adjustments to Taxable Income Line 2

Add: (a) Enter the amount of **interest** received from non-Vermont **state and local obligations** that were exempted from Federal tax (i.e., Municipal Bonds).

Add: (b) Enter the amount of **state and local tax deductions** taken on the Federal return(s). State and local income taxes are taxes on or measured by income, franchise taxes measured by net income, franchise taxes for the privilege of doing business, and capital stock taxes. **Attach a statement showing a detail of the taxes claimed on the Federal return(s).**

Subtract: (c) Enter the amount of **interest** received from **U.S. Government obligations** included on the Federal return(s).

Subtract: (d) Enter the total amounts of **IRC Section 78 "gross up" foreign dividends** and other income included on Federal Form 1120, Line 28 which is excludable from state taxation. (Attach Federal Form 1118 to support "gross up" amounts as well as any appropriate schedules.)

Subtract: (e) Enter the **wage expense** associated with work opportunity credit disallowed on the Federal return by IRC Section 280C(a).

Line 3 Net Taxable Income Add Lines 1, 2(a) and 2(b). Subtract Lines 2(c), 2(d), and 2(e). Enter the result here.

Line 4 Non-Business Income and/or Foreign Dividends Allocated Everywhere Enter the amount from VT Form BA-402, Part 1, Lines 1a and 1c.

Line 5 Net Apportionable Income Subtract Line 4 from Line 3. Enter the result here.

Line 6 Vermont Apportionment Percentage Enter 100% or amount from VT Form BA-402, Line 22.

Line 7 Net Income Apportioned to Vermont Multiply Line 5 by Line 6 and enter the result here.

Line 8 Total Net Income Allocated and Apportioned to Vermont Enter the amount from Line 3 above, or, if not 100% Vermont sourced, add VT Form BA-402, Part 1, Line 1b and Line 1d and Line 7, above. Enter the result here.

Line 9 Vermont Net Operating Loss Summary (Single corporate filers disregard this line.) If this is a combined group return or consolidated return, calculate the separate affiliate's allocable share of Vermont combined net taxable income for the group subject to Vermont corporate income tax. Then apply the affiliate's net operating loss deduction under Federal rules noting the Vermont carry-back restriction in effect prior to January 1, 2007. Calculate the net operating loss for each affected affiliate in this manner. Finally, provide a net operating loss summary on this line for the group return.

Line 10 Vermont Net Taxable Income If this return is for a single corporate filing, this is the net taxable income subject to Vermont corporate income tax. If this is a unitary group return or consolidated return, this is the total of each

TAX COMPUTATION SCHEDULE**IF VERMONT NET INCOME IS**

\$10,000 or less	6.0% (minimum tax is \$250).
\$10,001 to \$25,000	\$600 plus 7.0% of excess over \$10,000.
\$25,001 and over	\$1,650 plus 8.50% of excess over \$25,000.

TAX IS

corporate affiliate's allocable share of Vermont combined net taxable income for the group subject to Vermont corporate income tax.

Line 11 Vermont Tax Compute the tax for each affiliate, if a group return, using the tax computation schedule above. Enter this amount or the minimum tax of \$250, whichever is more or, if a group return, the total tax liability of the group. The minimum tax is due even if a corporation operated at a loss. **Holding companies** are required to file as members of the unitary group effective January 1, 2006. In the case of consolidated and group returns, the tax is due from the parent or Principal Vermont Corporation. Exceptions to the minimum tax are:

- Small farm corporations** as defined in 32 V.S.A. §5832(2)(A) pay a minimum tax of \$75; and
 - Inactive corporations** owe no tax. Inactive corporations are non-Vermont corporations with no taxable activity or investments in this state that file to keep the account active, or Vermont corporations which **have neither receipts nor expenses other than minimal start-up or close-out expenses. If the account is to remain active with the Department of Taxes, then the minimum tax is due.**
- Check the appropriate box if an exception applies and provide documentation to support the claim.**
- Homeowner's and Condominium Associations** that file Federal Form 1120-H are not required to pay the Vermont minimum corporate tax. If the association does not make this election, then it is subject to the regular corporate rates and must pay the minimum tax.

Line 12 Credits Enter the total amount of Vermont tax credits claimed from VT Form BA-404, Part II, Column C, Line 23. If Economic Advancement Tax Incentives (EATI) credits are claimed, credit calculation schedules (the §5930 series forms), the EATI Annual Activity Report, and copies of the original certificates of eligibility must be attached to the return. If this is a unitary group return or consolidated return, the credit(s) are applied to each affiliate's corporate allocable share of Vermont combined net taxable income for the group subject to Vermont corporate income tax. After these credits are calculated for each eligible affiliate, they are summarized on this line for the group summary return.

Credits in the EATI program are authorized by the VT Economic Progress Council (VEPC) {(802) 828-5256} and include **payroll,**

workforce development, research and development, export, capital investment, high-tech business, sustainable technology research & development and sustainable technology export credits. The Downtown Development Board {(802) 828-3047} authorizes tax credits for **facade and code compliance work** on older or historic buildings and for the installation of **platform lifts, elevators or sprinkler systems** for qualified buildings located within Designated Downtown districts. For buildings located within designated Village Centers, the Downtown Development Board authorizes tax credits for the **Substantial Rehabilitation of Certified Historic Buildings** and for **Code Improvements to Commercial Buildings.** The Vermont Housing Finance Agency {(802) 864-5746} authorizes the **Affordable Housing** incentives. Claiming these non-EATI credits requires a credit calculation schedule, a copy of the original authorizing document (as applicable), and substantiating documentation which must be attached to the return. **Separately calculated attributes of affiliates may be provided by spreadsheet in MS EXCEL and .pdf format and provided on magnetic media (compact discs). Provide a documentary copy of the Federal and Vermont summary consolidated or group return.** The VT Department of Taxes has final authority in applying any credits against tax liability. **These credits can be applied against 80% of a corporation's tax but cannot be applied against the minimum corporate tax.** Call (802) 828-5723 if you have questions regarding credit calculations or requirements. **Check our website <http://www.state.vt.us/tax> for the latest information on these credits. Please check the box at the bottom of Side 1, VT Form CO-411. NOTE: Line 12 cannot be more than 80% of Line 11.**

Line 13 Tax Apply Line 12 Credit against the Line 11 Liability and enter the amount of Vermont tax due. Subtract Line 12 from Line 11 and enter the result **but not less than the minimum tax** (usually \$250).

Line 14 Payments

- Enter the amount of previous payments from 2007 estimated tax payments {including Lines 14(b) and 14(c)}, payments made with the application for extension of time to file, or other payments previously made.
- Enter the amount of 2007 estimated payments made by an entity for any entity filing with this return as a nonresident partner (a payment made by a parent for an affiliate on **VT Form WH-435**). Include this amount in Line 14(a) above.

(c) Enter the amount of the 2007 nonresident real estate withholding (REW) on sales (**VT Form RW-171**). Include this amount in Line 14(a) above.

(d) Enter the amount of the 2006 overpayment applied to the 2007 taxes.

(e) Total Payments Add Lines 14(a) and 14(d). Enter the result here.

Balance Due, Overpayment to be Applied to 2008, or Overpayment to be Refunded

Line 15 Subtract Line 14(e) from Line 13. If the amount on Line 15 plus applicable penalties, late fees and interest is **greater than** the amount on Line 14(e), enter the difference here and after Line 11, Side 1. **This is the amount due with the return.** If Line 13 is **less than** Line 14(e), the difference is an overpayment entered on Lines 16 and/or 17.

Line 16 Enter the amount of overpayment you wish to have **applied** toward your **2008** corporate income taxes. {Provide the FID # of the Principal Vermont Corporation, Reg. §1.5862(d)-10}

Line 17 Enter the amount of the overpayment for **refund here and on Side 1 below Line 11.**

Send VT Form CO-411 with VT Schedule BA-402, VT Form BA-403, and VT Schedule BA-410, as applicable; a copy of the pro-forma Federal return and a copy of the Federal return as filed with the IRS. **(Separately calculated attributes of affiliates may be provided by spreadsheet in MS EXCEL and .pdf format and provided on magnetic media (compact discs). Provide a documentary copy of the Federal and Vermont summary consolidated or group return.** Submit the return and all supporting schedules to the following address:

Vermont Department of Taxes
Corporate Income Tax
133 State Street
Montpelier, VT 05633-1401

NOTE: All appeals for any return adjustments, bills, assessments, and reduced refunds should be addressed to PO Box 1645, Montpelier, VT 05601-1645.